The DeMint
Social Security Savings Act

Questions & Answers

Q. What Makes the Social Security Savings Act Unique?

- **Guarantee** – The Social Security Savings Act (SSSA) guarantees benefits promised to seniors, individuals with disabilities, and survivors without increasing payroll taxes on working Americans. Seniors must know that any reform will not affect their promised benefits.

- **Large Accounts** – Creates generous, voluntary personal savings accounts for workers that will gradually transform Social Security from a mere political promise to a fully owned, legally binding guarantee.

- **Progressive Savings Rate** – The DeMint proposal allows low income workers to save a larger share of their payroll taxes, giving them the same access to higher benefits, greater ownership, more independence, and larger wealth that will be given to other Americans.

- **Solves Future Funding Problem** – The SSSA makes the program permanently self-sustaining within 55 years, saving the American taxpayers $17.9 trillion over the next 75 years.

Q. How Much Would Americans be Allowed to Save?

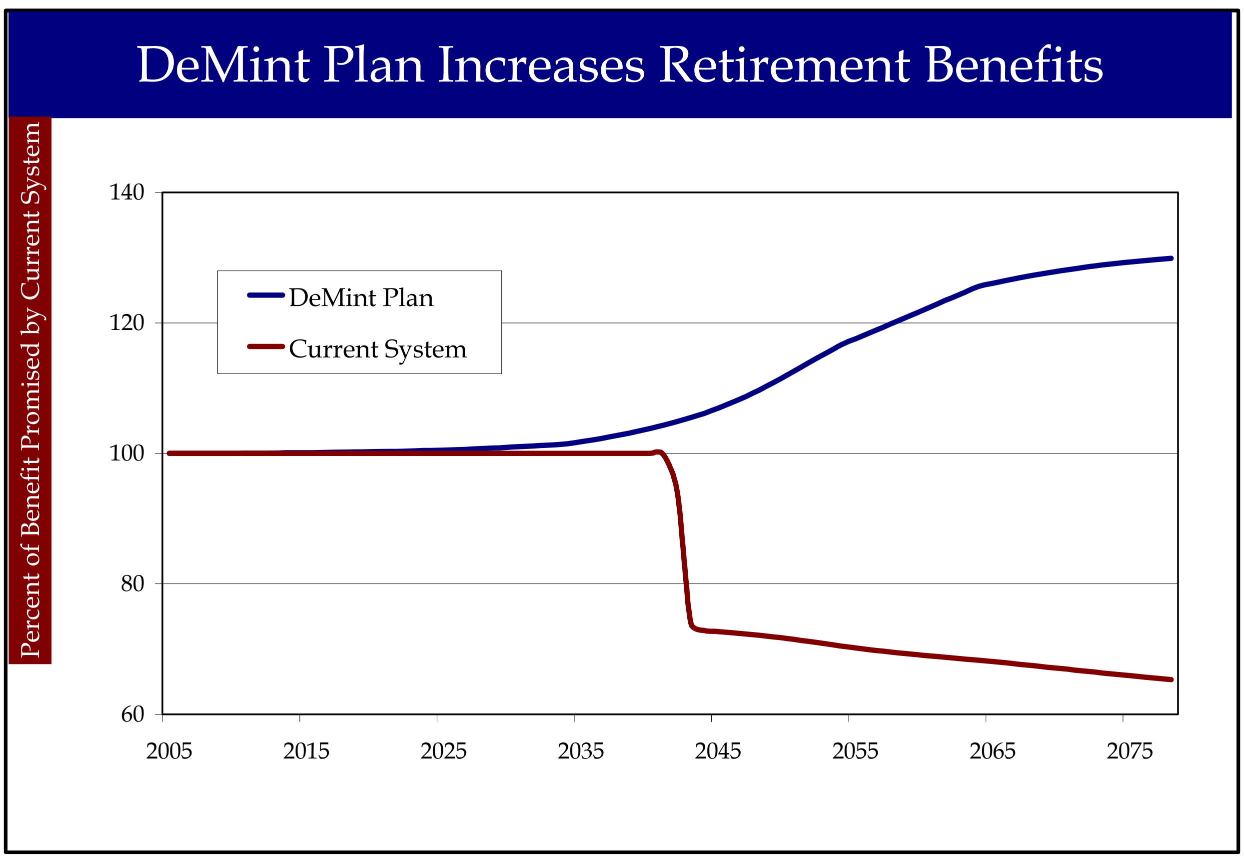
Personal savings accounts would be funded more generously for low income workers with the lowest earner contributing 8 percent and the highest earners contributing 3 percent out of the current 12.4 percent payroll tax. The following savings rates and annual dollar savings would apply:

Taxable Earning	Savings Rate	Dollars Saved
$ 1 (lowest)	8.00 %	$ 0.08
$ 15,629 (low)	7.10 %	$ 1,109.94
$ 34,731 (average)	6.00 %	$ 2,085.22
$ 55,569 (high)	4.81 %	$ 2,670.86
$ 87,000 (highest)	3.00 %	$ 2,610.00

Q. How Much Would Americans Receive Compared to What They are Promised Today?

Currently, Social Security can only afford to pay 73 percent of promised benefits after 2042. Under the Social Security Savings Act, Social Security would be able to pay at least 100 percent of benefits forever. Over time, the personal accounts would pay benefits for greater than those promised by Social security today.

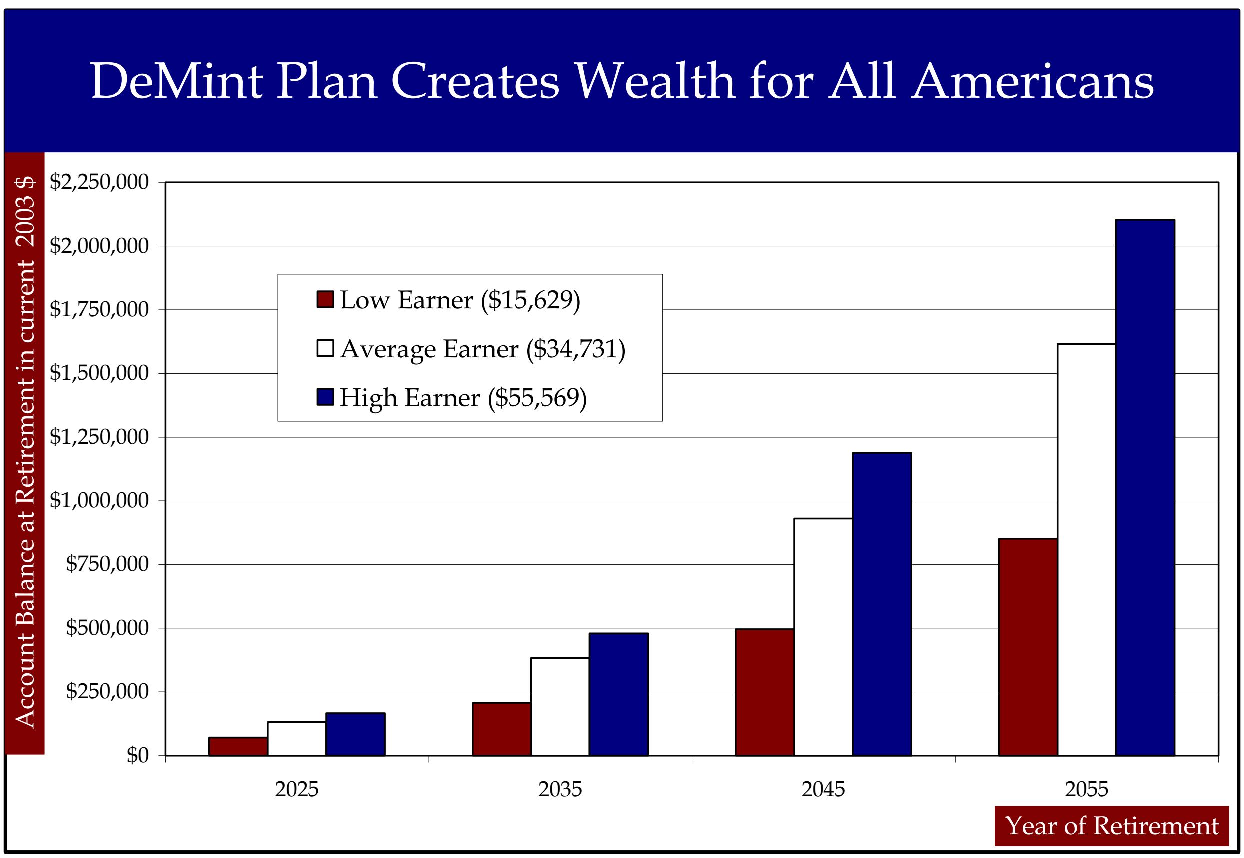
Year		SS Savings Act	vs.	Current System
Benefits in 2014 (age 55 in 2004)	=	100 percent	vs.	100 percent
Benefits in 2024 (age 45)	=	100 percent	vs.	100 percent
Benefits in 2034 (age 35)	=	101 percent	vs.	100 percent
Benefits in 2044 (age 25)	=	106 percent	vs.	73 percent
Benefits in 2054 (age 15)	=	117 percent	vs.	70 percent
Benefits in 2064 (age 5)	=	126 percent	vs.	68 percent
Benefits in 2074	=	129 percent	vs.	66 percent



Q. How Much Wealth Would the Average American Build?

Under this plan, every American under age 55 would have the opportunity to build a nest egg for their retirement. In constant dollars (and nominal in parenthesis), the following amounts would accumulate in the accounts of medium-income Americans earning about $35,000 a year.

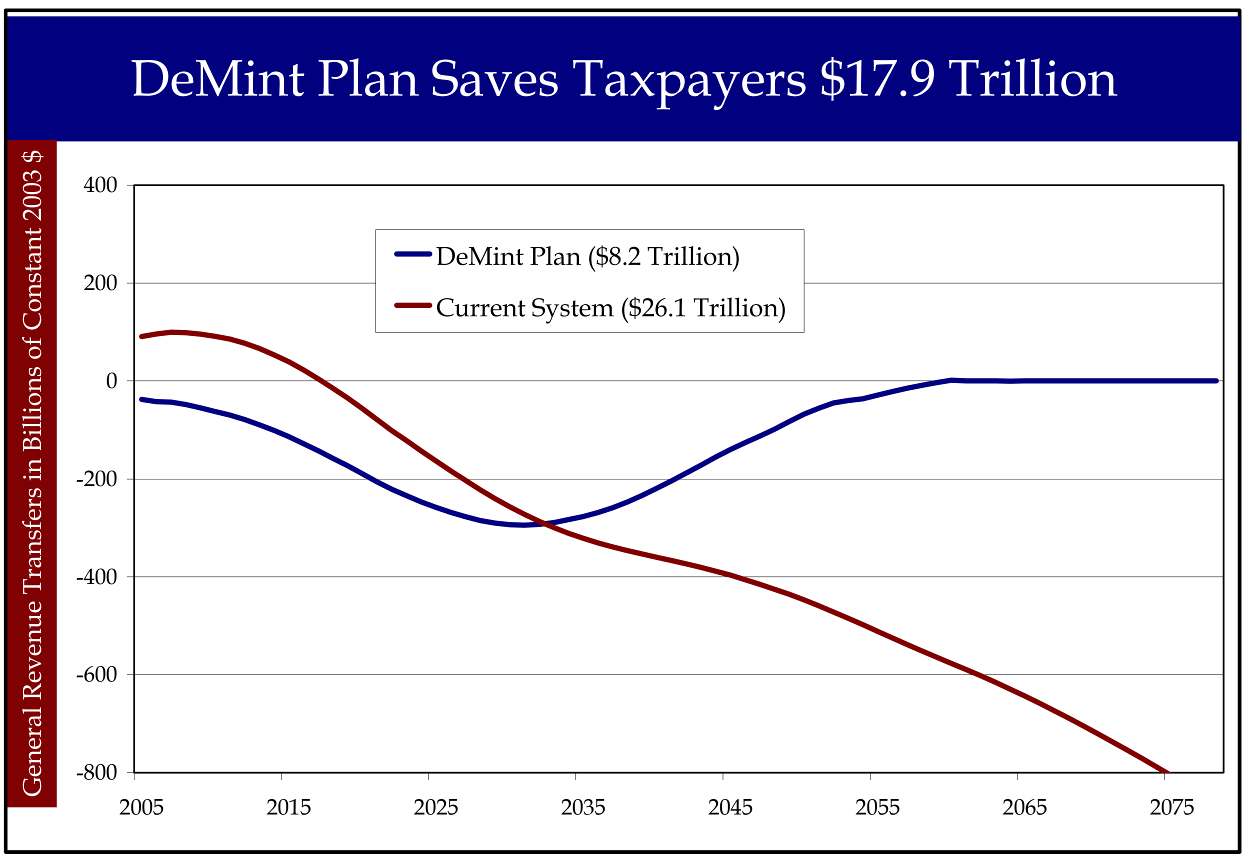
Retiring in 2014 (age 55) =	$ 22,049 ($30,227)
Retiring in 2024 (age 45) =	$ 71,382 ($131,513)
Retiring in 2034 (age 35) =	$ 154,655 ($382,952)
Retiring in 2044 (age 25) =	$ 279,555 ($930,233)
Retiring in 2054 (age 15) =	$ 361,227 ($1,615,392)



Q. How Much Would Taxpayers Save in the Federal Budget?

Over the next 75 years, the plan would save taxpayers $17.9 trillion, reducing Social Security's unfunded liabilities from $26.1 trillion, to just $8.2 trillion. In constant dollars, the following revenues would be needed in addition to current payroll taxes in order to redeem the trust fund bonds and pay full retirement benefits for this plan and for the current system.

Year		DeMint		Current		Cost/Savings
Transfers in 2014	=	$101 billion	vs.	$ 0	=	$101 billion *More*
Transfers in 2024	=	$247 billion	vs.	$ 143 billion	=	$104 billion *More*
Transfers in 2034	=	$283 billion	vs.	$ 311 billion	=	$ 28 billion *Less*
Transfers in 2044	=	$155 billion	vs.	$ 388 billion	=	$233 billion *Less*
Transfers in 2054	=	$ 36 billion	vs.	$ 498 billion	=	$462 billion *Less*
Transfers in 2064	=	$ 0	vs.	$ 629 billion	=	$629 billion *Less*
Transfers in 2074	=	$ 0	vs.	$ 789 billion	=	$789 billion *Less*



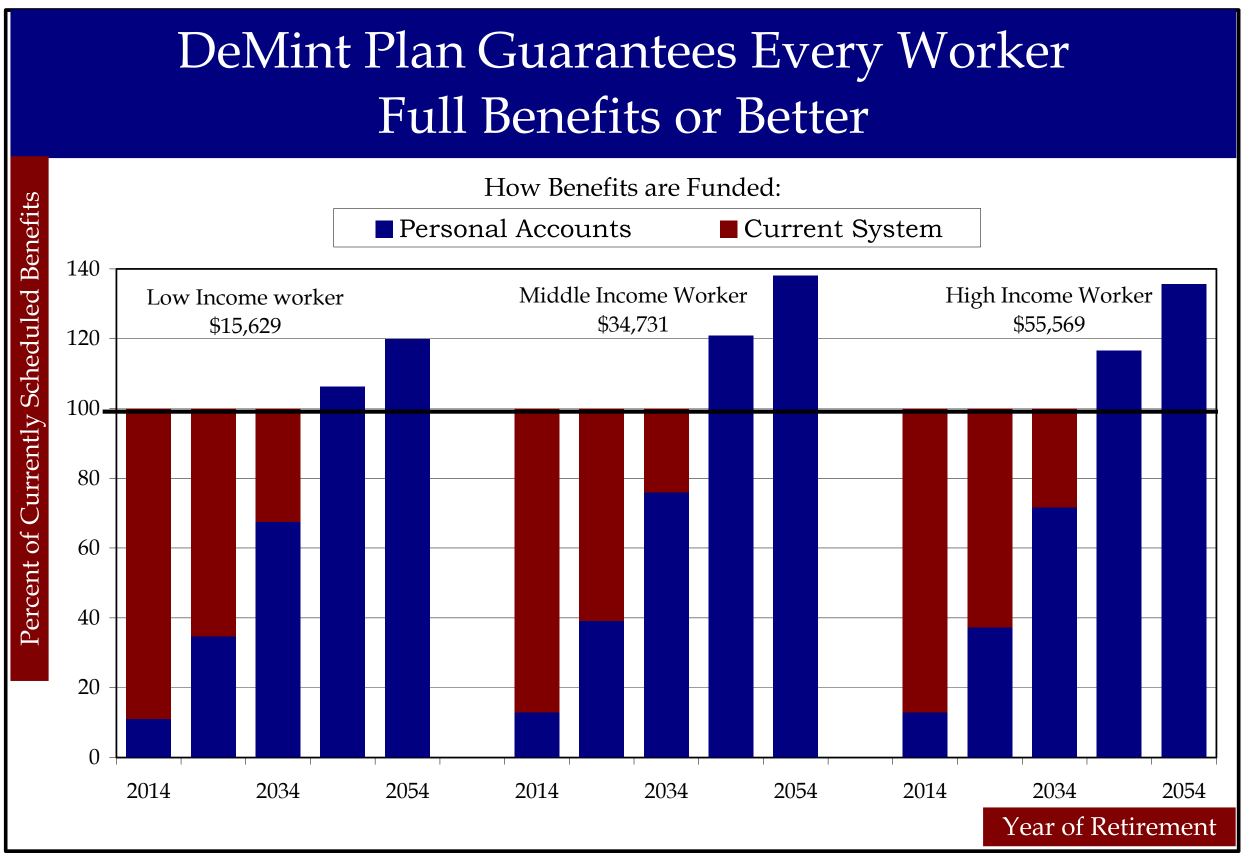
Q. How Are Benefits Guaranteed?

Under the DeMint plan, for those who choose not to have a personal savings account there would be no changes to the current Social Security system.

For workers with a personal account, at retirement the Social Security Administration (SSA) would continue to calculate a worker's monthly benefit under the current system. The SSA would then calculate what monthly benefit can be paid by fully annuitizing the workers personal savings account.

If the annuity does not equal what the current system would pay then the traditional system makes up the difference.

According to the SSA, after 2040 a majority of Personal Savings Accounts will be large enough to provide full benefits and in many cases benefits will be much larger.



Q. What Investment Options Are Available?

Every equity fund in the SSSA would be a broad based index fund representing all or part of the U.S. market. Specifically, the plan would limit investing to three equity funds and a U.S. government bond fund.

1) **Standard Fund** – This fund would represent the entire U.S. equity market much like the Wilshire 5000.

2) **Medium Capitalization Fund** – This fund would be comprised of publicly held companies that are traded on the medium capitalization equity markets of the United States comparable to the Russell MidCap Index.

3) **Small Capitalization Fund** – This fund would be similar to the Medium Capitalization fund except that the fund would represent the publicly traded companies on the small capitalization equity markets similar to the Russell 2000.

4) **U.S. Government Securities Fund** – This fund would be made up of Social Security Transitions Bonds spelled out by the SSSA, when this type of government bond is no longer needed they will be replaced by regular U.S. government securities.

With these investment vehicles there will be no day trading, no picking individual stock, and no Enrons.

Q. How Does an Individual Pass on Wealth?

At retirement a worker does not need to fully annuitize his account. Under the SSSA, a retiree is required to annuitize up to the poverty level or 35 percent of the account – whichever is greater – maintaining a minimum safety net. The retiree controls the remaining balance of the account, which could be reinvested at the retiree's discretion, could be used to help a child pay a home mortgage, or pay a grandchild's college tuition.

Q. How Would Low Income Americans be Treated Under the Plan?

First, low-income Americans who are more likely to need Social Security's survivor and disability benefits will see no changes in these programs.

Second, denied access to other savings and investment options because they do not make enough money to take advantage of them, the DeMint plan would provide low-income Americans with the opportunity to accumulate assets and create real wealth that can be passed on to their families.

Despite popular perceptions, studies show that Social Security provides little, if any, systemic redistribution from rich to poor. Under this plan, the poor would benefit from progressive savings rates and the increased ownership that would significantly raise their rates of return. The ability to own a part of their Social Security contributions would help low income Americans accumulate wealth and pass it own to their own children and grandchildren, allowing them to inherit wealth instead of poverty.

Q. How Would Women be Treated Under the Plan?

Women are more likely to suffer poverty in old age than me. This plan would save Social Security and permanently sustain it for millions of women.

Poverty rates are highest for widowed, divorced, and never-married women. This plan would put Social Security back on solid financial ground so it can continue to offer poverty protection for women. It would also bring equity to those women who divorce by crediting their accounts with half of their husband's earnings during the years of their marriage.

Women receive a higher percentage of their retirement income from Social Security than do men, and as a result are more susceptible to benefit reductions that will occur in the absence of reform (27 percent reduction in 2043). This plan would prevent such benefit reductions and actually boost retirement benefits for younger women.

Social Security contains many quirks and inequities that hurt women who work. For example, a low-income, two-earner couple experiences a lower rate of return than a high-income, one-earner couple. Under this plan, younger women who work would earn higher benefits than those currently promised by Social Security. As a consequence, rates of return would improve for working women.

Q. How Would the Unemployed be Treated Under the Plan?

Unlike like the current system that enters a zero in the benefit calculation formula or decreases the earnings level for periods of unemployment, personal savings accounts can continue to grow during these periods. Even if the worker is unemployed he will know that at least his retirement account can continue to increase in value.

- ### -